CEDF

Aircraft
Air Taxi Service
Automotive Garage
Body Shop
Commercial Fishing
Computer Training
Contracting
Courier Service
Deli
Fish Packing Plant
Fishery
Food Service
Lodge
Logging/Forestry
Minnow Business
Motel
Printing
Slashing
Storage
Taxi Service
Towing
Transportation
Trucking

Two thousand four • 2004

104-07606/

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TRANSMITTAL

CEDF

The Honourable Oscar Lathlin
Minister Responsible for the
Communities Economic Development Fund
Province of Manitoba
Room 344 Legislative Building
Winnipeg MB R3C oV8

Dear Sir:

The Board of Directors of the Communities Economic Development Fund is pleased to present the Annual Report for the year ended March 31st , 2004.

During the year, the Fund continued to provide a high level of service to Northern entrepreneurs. The Business Loans and Fisheries Loans Programs provided over $9 million in capital to enterprises in northern industries, while the TEAM program expanded its activities in supporting micro-entrepreneurs. In addition, the Fund's cost of operations was below budget which has remained unchanged since 2001.

Our Board is assisted in carrying out the Fund's mandate by a capable and committed staff whose efforts we would like to acknowledge at this time.

Respectfully submitted,

H. Westdal

Harold Westdal
Chairperson

CORPORATE

DIRECTORS AND OFFICERS

Minister Responsible: The Honourable Oscar Lathlin

Board of Directors:

Chairperson:	Harold Westdal	Winnipeg
Directors:	Linda Ballantyne	Grand Rapids
	Rob Barbe	Gillam
	Darlene Beck	Cross Lake
	Bill Cordell	Pikwitonei
	Gavin Lawrie	Churchill
	Bob Veito	The Pas
	John R. Yellowback	God's River

Officers:

General Manager & CEO: R. Gordon Wakeling
Manager of Financial Programs & CFO: Rajinder S. Thethy

HEAD OFFICE

100 - 23 Station Road
Thompson, Manitoba R8N 0N6
Telephone: (204) 778-4138
Fax: (204) 778-4313
Toll Free in Manitoba 1 800 561 4315

CORPORATE PROFILE

The Development Fund is the "trade name" of the Communities Economic Development Fund, a Manitoba Crown Corporation. The Fund is incorporated under the Communities Economic Development Fund Act (C155 of the Consolidated Statutes of Manitoba).

LEGISLATED MANDATE:

The Object of the Fund, as stated in section 3(1) of the Act is as follows:

"The object of the fund is to encourage economic development

(a) In Northern Manitoba, as defined by the Lieutenant Governor in Council by regulation;

(b) subject to the approval of the Lieutenant Governor in Council, in the fishing industry in the province, by acting as a lending authority and administering a loan program with respect thereto; and

(c) in conjunction with financial assistance provided by the Government of Canada under any economic development program to assist aboriginal people in the province outside The City of Winnipeg;

with particular emphasis on the needs of small business enterprises and community development corporations."

Section 3(2) of the Act states it shall do so through the provision of "financial and other forms of assistance":

"The fund may provide financial assistance and other assistance, as set out in subsection (3), to assist in the establishment of new economic enterprises and the development of existing economic enterprises."

The Act defines financial assistance as: *""financial assistance" includes a loan or guarantee, a lease of personal property or real property, the purchase or sale of shares, assets or securities of a corporation, and the underwriting of the securities of a corporation;"*

Other forms of assistance are defined in section 3(3) of the Act:

"The fund may provide, with or without charge,

(a) information and advice respecting the techniques, methods and practices required for the successful administration of economic enterprises;

(b) training for individuals, including employees, managers and directors, in an economic enterprise; and

(c) conferences, seminars and other meetings for the promotion of good management practices in economic enterprises."

PROGRAMS

The Fund provides loans and guarantees to small to medium enterprises and to the commercial fishery through three programs:

Business Loan Program

Fisheries Loan Program

TEAM

In addition, the Fund delivers programs under an MOU with the Rural Development Initiatives.

CORPORATE REPORT

The Fund is divided into five strategic business units:

Administration, Business Loans, Fisheries Loans, TEAM, Consulting Services

The Fund's overarching goal is "to encourage economic development...through the provision of financial and other forms of assistance". Its strategy to achieve this goal is to design and deliver programs and services:

PROGRAM	CORPORATE OBJECTIVE
Business Loans	Provides financial assistance
Fisheries Loans	Provides financial assistance
TEAM	Provides financial assistance and business training

In addition, the Fund is committed to delivering its services in an efficient and economical manner.

PERFORMANCE:

The Fund practices strategic planning on a five year cycle with annual reviews. During the annual review, the Board:

1) Reviews targets and objectives, as well as the Fund's operating environment.
2) Reviews the annual operating budget.
3) Reviews the annual capital budget.

The Fund's operating budget is approved annually in consultation with government under the Budget Act. Capital Budgets are advanced under the Loan Act (both acts are annual).

The Fund is currently in Year 1 of its Strategic Plan, 2003-2008.

ADMINISTRATION:

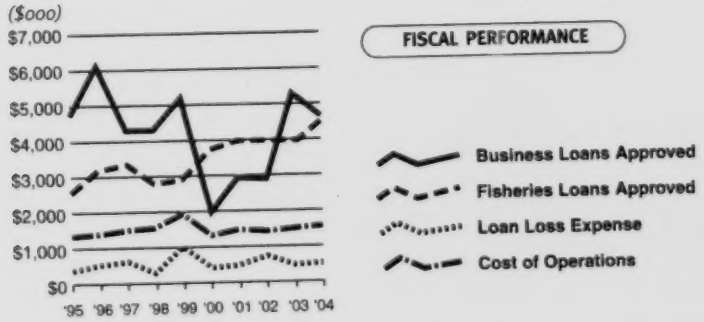
The administrative objectives of the Fund are to provide timely reporting of operations, to manage both operating budget lines and income from margin on loans through successful treasury management, and to maintain an administrative framework from within which to provide program goals.

Its key indicators are achieving budget and maintaining balance sheet strength.

Outcomes:

1. CEDF achieved budget for the fifth consecutive year. Budget remained unchanged at $1.514 million. During the period, CEDF offset increases in expense lines by increasing loan margins as a result of both increased portfolio and improved loan margins. Based on loan activity, The Fund's placement cost of capital remained consistent at 15.84 cents per dollar.

2. Balance Sheet strength. During the period, CEDF made appropriate accruals for loan loss provisioning and depreciation of fixed assets. Decreases in allowances can be a signal that budget is being achieved at the



expense of conservative valuation of assets.

	2003	2004
Provision for Debt Loss (Business)	$2,219,584	$2,251,440
Provision for Debt Loss (Fisheries)	2,787,136	2,783,008
Net Book Value of Fixed Assets (as a percentage of cost)	25.16%	19.29%

The Fund has embarked on a number of strategies to reduce or minimize its cost to government. A new strategy introduced during the year is internal management of trust accounts. Prior to this year, the Fund maintained numerous bank accounts for client trust funds. CEDF now accounts for these separately, but absorbs the funds into its capital base, providing a market rate of return to clients and eliminating monthly bank service charges. During the next year, the Fund intends to review other market opportunities within its operations including self insurance, acquiring a Head Office building, and possible elimination of an interest subsidy program.

BUSINESS LOANS PROGRAM:

The business loan program objective is to encourage economic development in Northern Manitoba through the provision of financial assistance (in the form of loans and loan guarantees) to northern businesses unable to access capital from other sources. The program budgets for approximately $4.5 million in annual lending activity and has an operating budget that includes $250,000 in annual debt loss provisions.

The program has had several challenging years, primarily due to the effects of the softwood lumber dispute and related weakness in the forestry sector and related economies. During 2003/04, the program completed an extensive write- down of forestry related loans, totalling over $600,000. While this action placed the business program line over budget, CEDF was able to achieve this within overall budget due to continued good conditions in the commercial fishing industry and the condition of the Fisheries Loan portfolio.

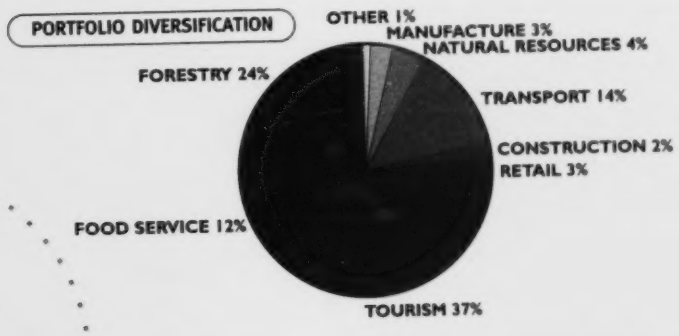
The program enjoyed continued strong loan activity during the year with $4.72 million in new loans within a diversified portfolio, and it continues to deliver strong economic development outcomes. In 2003/04, CEDF clients report 508 jobs maintained and over $53 million in annual revenues.

The Fund has adopted several key strategic directions that the program will focus on during the next year.

- Exploring new finance markets and/or products
- Developing a package to support community investments
- More rapid identification of problem accounts

FISHERIES LOANS PROGRAMS:

The Fisheries Loans Program provides capital in the form of term loans to commercial fishers for the purpose of purchasing or repairing the assets required to maintain a viable fishing operation.



The program manages a portfolio of over $12 million and has an active client base of 1191 individuals. Created as a source of capital in a seasonal industry, the program objectives include accessibility, timely delivery of services, as well as a lending target of $3.5 million annually, and of course, managing within budget (operating and loan loss).

The program records the following results: 1267 applications handled. (1047 for 2003)
$4,677,215 loan disbursements ($4,099,629 for 2003)

During the year the program was instrumental in assisting the fishery at Cedar Lake in re-opening following a five year closure.

The program has enjoyed a prolonged up cycle over the last few years resulting in increased activity and high cash flow volumes (leading to positive portfolio evaluations for loss calculation purposes). During the year, the Fund will closely monitor the effect of reduced returns to fishers as a result of currency fluctuations as well as environmental and regulatory factors. CEDF is also introducing service delivery targets and has begun to monitor processing times for applications.

TEAM:

The TEAM Program was established in fiscal year 2001. Its objective is to provide assistance to Micro-enterprise at the community level throughout Northern Manitoba. TEAM works with communities to identify and support individuals and opportunities for 'micro' level businesses. Its key service is Technical Assistance – which may include path finding to capital and other programs, access to markets, and general business supports.

Teams (collective groups of clients) were initially established in 26 communities (22 full-time and 4 part-time), and the program was introduced to 4 other communities. From this recruitment, TEAM has a membership list of 117 individuals and 8 co-op groups representing approximately 100 individuals. However, as noted in last year's report, the program has shifted focus during the year from broad outreach across the entire region to more focused service provision particularly in the area of assisting regional crafters in market readiness and marketing generally.

Objectives:

The program's core objective is to provide a resource to micro entrepreneurs in the region, assisting them in maximizing opportunities for revenue and business growth. In order to meet its objective, the program has regular contact at the community level with micro entrepreneurs, and delivers services to its constituent client base.

Outcomes:

TEAM focused heavily on the craft industry during the 2003/04 year with a number of projects coordinated through the program:

1) Crossroads Coop - TEAM assisted 20 artists in establishing a retail outlet for their products at Churchill, selling their products directly to visitors and local residents, and increasing their returns.

2) Trappers Festival Craft Table - In partnership with the Northern Forest Diversification Centre, TEAM set up a craft store during The Pas Trappers Festival featuring the work of 13 artists.

3) Uniquely Manitoba TEAM highlighted the work of 37 artists in the first Uniquely Manitoba wholesale craft trade show in Winnipeg. At the show, TEAM won an award for the program's dedication to promoting the work of Northern artists.

During the year the program formally launched a Gift Catalogue marketing goods to a wider market including corporate gifting. In addition the program has maintained contact with a large number of business clients, as well as continuing its program of community promotion.

Future Directions:

The program will continue to refocus in 2004/05 to provide market outlets for Northern Arts and Crafts. The program is also planning to work in conjunction with the Consulting Services Division to provide business supports to community ventures and to individuals identified during community economic development sessions.

CONSULTING SERVICES DIVISION:

The division is a cross departmental workgroup formed within CEDF with the purpose of creating revenues through program and professional services delivery, as well as providing support to enterprises as part of CEDF's on-going development of a community economic development initiative.

CEDF currently delivers program services for the Rural Economic Development Initiative (REDI) in North-eastern Manitoba on a cost plus recovery. Delivery of the REDI program was undertaken in September 2001, with the main focus to increase its exposure and utilization in the region. The result was an intake of 15 applications for the REDI Feasibility Studies and two Youth Grants in the year ended March 31, 2003.

Objectives:

In addition to the on-going focus of increasing exposure of the REDI programs in the region, the Consulting Services Division (CSD) planned to engage a cross-section of communities in community based economic development activities.

Activity:

Regular visits have been made to Gillam, Churchill, Lynn Lake, Leaf Rapids, Snow Lake, Cross Lake, Norway House, and Wabowden to promote the program.

The communities of Gillam, Lynn Lake, and Wabowden have been engaged in community planning and development.

Outcomes:

- Five applications for the REDI Feasibility Study Program were received and approved for a total of $47,575.
- Three Young Entrepreneur's Grant applications were received. One was withdrawn; the other closed due to inactivity on the client's part, and the third is pending approval.
- The Gillam Community Development Corporation received $34,000 from the Community Works Loans Program Fund. The CDC is in the process of recreating loan application forms tailored to meet the requirements of the local entrepreneurs.
- The CSD has been working with the Economic Development Officer of Lynn Lake on two community based initiatives: a hydroponics operation, and the formation of a cooperative of a group of individuals involved in non-timber forest products.
- An economic development planning meeting was conducted in Wabowden by the CSD, and as a result, a business plan for value added fish products is being developed in conjunction with the administrator of the community. In addition, a feasibility study into developing a spindle manufacturing plant using the waste from the logging operations has been approved by REDI.

Future Direction

CEDF will continue promoting the REDI program in its region through a community based economic development focus, which will in turn utilize the REDI funding. CEDF is also exploring service expansion in support of northern development strategies.

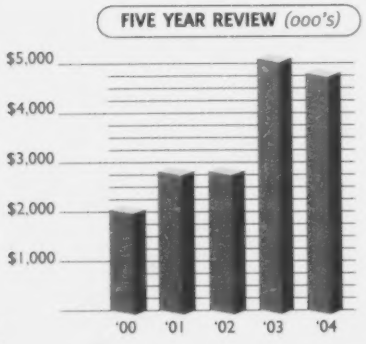
BUSINESS LOANS APPROVED

AMOUNT	NAME	PURPOSE	LOCATION	INTEREST RATE	TERM IN MONTHS
$106,501	Mann, Wendy & Larry	Deli	Thompson	9.08%	60
179,698	Wilson, Harold Alfred	Aircraft	Norway House	8.58%	48
83,860	Nelson House Dev. Corp.	Restaurant Complex	Nelson House	8.66%	48
91,850	North, Gilbert	Automotive Garage	Oxford House	8.66%	60
344,375	Grass River Logging Ltd	Logging/Forestry	Wabowden	9.16%	48
38,055	Sanderson, Evelyn M	Day Care Facility	Dauphin	9.16%	46
705,000	Motorest Holdings Inc	Hotel/Tourism	Winnipeg	8.51%	120
50,000	Halabisky, John	Trucking of Pulpwood	Grand Rapids	9.08%	48
30,000	Bracegirdle Robert (Bob)	Forestry/Trucking	The Pas	9.16%	48
139,555	Isfeld, Marty B	Towing	Amaranth	9.16%	60
400,000	4471246 Manitoba Ltd (Morris)	Body Shop	Thompson	8.34%	120
52,570	Darcy Rowe Trucking Ltd	Trucking	Birch River	9.16%	48
9,128	Chartrand, James L	Taxi Cab Services	Rock Ridge	9.08%	37
44,551	Ownair Ltd	Air Taxi Service	Little Grand Rapids	9.27%	24
244,100	Barren Lands Construction	Winter Road & Construction	Brochet	8.58%	24
29,374	Colombe, Albert W	Transportation	Wabowden	9.08%	23
198,425	Lake Manitoba Narrows Lodge	Lodge, Convenience,Gas	Oakview	8.58%	240
43,313	St Germain, Marcel	Trucking-Logging	Birch River	9.27%	36
133,692	4705395 Manitoba Ltd (Erickson)	Plumbing/Heating	Thompson	8.51%	36
25,875	Silsby Lake Lodge Ltd	Hunting & Fishing Lodge	Thompson	8.56%	12
38,046	Benson, Bruce & Linda	Fishery	Gimli	8.06%	60
20,000	Sanderson, George & Lena	Storage	The Pas	8.01%	60
50,000	4103530 Manitoba Ltd(Microage)	Computer Training & Sales	Thompson	9.01%	24
9,132	Napanee Bay Fisheries Inc	Fish Packing Plant	Easterville	8.51%	24
28,000	Daneluk, Nelson & Jillian	Food Service/Catering	Roblin	8.51%	120
170,000	Robertson, L & Tooley, T	Minnow Business	The Pas	8.84%	60
36,025	Gr Rapids Fisher's Capital Project	Fish Packing	Grand Rapids	8.01%	24
270,490	Ownair Ltd	Air Taxi Service	Little Grand Rapids	8.33%	0
35,213	Barker, Leon Joseph	Trucking/Transportation	Barrows	9.01%	36
244,100	Gold Trail Lodge (2003) Ltd	Hotel/Restaurant	Thompson	8.34%	120
247,070	Sanderson, Jason	Logging	Moose Lake	8.84%	48
19,304	Drkulec, Tana L	Printing/Publishing	Thompson	8.33%	36
132,375	Lindal James & Berthe Jessie	Trucking/Transportation	The Pas	7.83%	120
75,000	Toria's Inn Ltd	Motel	Koostatak	8.33%	84
20,800	Thompson, Cyrille Bryan	Forestry-Hauling	Duck Bay	8.83%	24
48,000	Olson, Oscar J	Forestry-Hauling	Grand Rapids	8.26%	36
252,280	4833148 Manitoba Ltd(Bartlett)	Hotel	Snow Lake	7.76%	120
37,822	Gosselin, Melvin David	Slashing	Swan River	8.86%	36
7,000	Sinclair, Guy	Courier Service	Thompson	8.36%	24
10,575	Bracegirdle, Robert Brent	Transportation	The Pas	8.41%	6
20,000	Morrisseau, Richard A	Contracting/Landscaping	Thompson	7.91%	24

$4,721,154 **Total Approvals - 41 Clients**

HISTORICAL DATA

YEAR APPROVED	AMOUNT	APPLICATIONS APPROVED	JOBS CREATED AND/OR RETAINED
1972-1976	3,829,613	178	454
1977	704,658	38	108
1978	510,399	20	103
1979	556,459	20	92
1980	1,982,791	37	144
1981	1,180,740	34	120
1982	2,800,140	46	176
1983	2,138,275	31	138
1984	2,080,595	49	144
1985	2,326,548	63	172
1986	2,909,735	43	159
1987	3,573,294	66	215
1988	3,550,050	70	210
1989	725,243	22	31
1990	1,681,090	38	136
1991	1,737,344	30	80
1992	1,183,686	19	102
1993	5,406,375	36	120
1994	1,427,220	21	88
1995	4,811,247	51	135
1996	6,134,635	64	252
1997	4,321,829	53	198
1998	4,387,457	45	230
1999	5,188,498	41	178
2000	2,062,664	36	165
2001	2,797,419	28	170
2002	2,787,386	28	166
2003	5,174,099	39	213
2004	4,721,154	41	267
	$82,690,643	**1,287**	**4,766**



PERFORMANCE DATA

	2004	2003	2002	2001	2000
No. of Business Loans Approved	**41**	39	28	28	36
Dollar Value - Business	**4,721,154**	5,174,099	2,787,386	2,797,419	2,062,664
No. of Loans Approved - TEAM	**2**	6	11	6	---
Dollar Value - TEAM	**5,038**	15,536	29,911	20,565	---
Dollar Value - Fish Approvals	**4,677,215**	4,099,629	3,901,248	4,185,732	3,793,661
No. of Active Loans - Business	**149**	150	132	143	141
No. of Active Loans - TEAM	**21**	19	15	6	---
No. of Active Loans - Fish	**1,191**	1,153	1,119	1,098	1,110
Portfolio Value - Total	**26,729,480**	25,007,290	23,158,654	23,592,871	23,624,304
Bad Debt Expense - Business	**619,715**	417,594	443,080	399,418	299,967
As a percentage of Approvals	**13.13%**	8.07%	15.90%	14.30%	14.50%
Bad Debt Expense - Fish	**0**	0	0	100,000	200,000
As a percentage of Approvals	**0%**	0%	0%	2.40%	5.30%
Total Subsidy	**1,489,762**	1,493,068	1,487,145	1,500,200	1,379,999
Subsidy as a % of Approvals	**15.84%**	16.07%	22.23%	21.42%	23.56%

ECONOMIC IMPACT

The Fund continues to face numerous challenges to maintain its primary function and at the same time deliver a professionally managed development agency for economic expansion including the number of jobs created and maintained.

We present the following data which reflects our impact on the regional economy within our mandated area.

JOBS

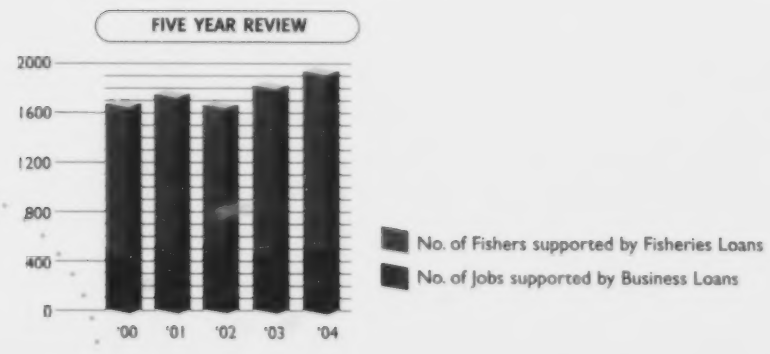
Number of persons directly employed in business supported by Fund loans	508
Number of fishers supported by Fund Loans:[2]	1,356
Total Employment:	1,864

REVENUES (000's)

Total revenue of Business Loan clients:[1]	$53,860
Total revenues of Fisheries Loan clients (before final payments and transfer income):[2]	20,144
Total Revenue	$74,004
Direct Wages Paid[1]	$11,433

[1] Data is drawn from material financial statement provided by clients and from on-site observations by Fund staff during the annual account review.

[2] Data is drawn from payments provided to Fund and from active accounts within loan ledger.



AUDITOR'S REPORT

HAUGEN MORRISH ANGERS
CHARTERED ACCOUNTANTS

To The Board of Directors
Communities Economic Development Fund

We have audited the statement of financial position of Communities Economic Development Fund as at March 31, 2004 and the statement of revenue and expenditures and cash flows for the year then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 2004 and the results of its operations and the cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Haugen Morrish Angers

CHARTERED ACCOUNTANTS
The Pas, Manitoba
May 20, 2004

STATEMENT OF FINANCIAL POSITION

	March 31	
	2004	2003
ASSETS		
Cash	**$113,380**	$130,412
Trust deposits	**24,377**	1,264,377
Due from Province of Manitoba (Note 3)	**1,486,239**	1,994,500
Accounts receivable	**56,085**	45,016
Property held for resale	**335,961**	13,022
Prepaid expenses	**8,987**	19,702
	2,025,029	3,467,029
Loans receivable (Note 4)	**21,662,944**	20,007,920
Capital assets (Note 7)	**33,245**	43,346
	$23,721,218	$23,518,295
LIABILITIES		
Accounts payable and accrued liabilities	**$371,813**	$293,592
Interest payable to the Province of Manitoba	**596,457**	663,484
	968,270	957,076
Accrued pension liability (Note 2)	**1,515,207**	1,391,914
Advances by the Province of Manitoba (Note 8)	**21,237,741**	21,169,305
	$23,721,218	$23,518,295

Approved on behalf of the Board

Director

Director

STATEMENT OF REVENUE & EXPENDITURES

Year ended March 31	2004	2003
REVENUE		
Loan interest		
TEAM	$4,227	$3,822
Business Program	1,185,874	1,004,880
Fisheries Program	807,884	811,879
Investment income	59,643	39,261
	2,057,628	1,859,842
COST OF FUNDS		
Interest paid to the Province of Manitoba		
Business Program	642,792	791,937
Life Insurance	70,687	66,806
Trust line of credit	85,153	11,822
Fisheries Program	604,578	594,534
	1,403,210	1,465,099
GROSS MARGIN	654,418	394,743
OPERATING EXPENSES (Schedule 1)	1,651,267	1,569,902
	(996,849)	(1,175,159)
OTHER INCOME - ADMINISTRATION FEES	126,782	99,651
EXCESS OF EXPENDITURES OVER REVENUE BEFORE PROVISION FOR DOUBTFUL ACCOUNTS	(870,067)	(1,075,508)
Provision for doubtful accounts - regular operations	619,715	417,578
EXCESS OF EXPENDITURES OVER REVENUE BEFORE SUBSIDY FROM PROVINCE OF MANITOBA	(1,489,782)	(1,493,086)
SUBSIDY DUE FROM PROVINCE OF MANITOBA	1,489,782	1,493,086
	$0	$0

STATEMENT OF CASH FLOWS

Year ended March 31	2004	2003
CASH FLOWS FROM		
OPERATING ACTIVITIES		
Cash received from Province of Manitoba and other sources	**$1,871,843**	$1,702,016
Expenditures to suppliers and employees	**(1,410,014)**	(1,810,423)
Interest paid	**(1,470,237)**	(1,458,526)
	(1,008,408)	(1,566,933)
INVESTING ACTIVITIES		
Purchase of capital assets	**(15,750)**	(18,797)
Loans issued net of principal payments	**(1,445,592)**	(1,742,864)
Sale of equipment - net	**(322,939)**	96,898
	(1,784,281)	(1,664,763)
FINANCING ACTIVITIES		
Subsidy - Province of Manitoba	**1,467,221**	1,493,086
Advances by the Province of Manitoba	**68,436**	2,642,300
	1,535,657	4,135,386
NET INCREASE (DECREASE) IN CASH	**(1,257,032)**	903,690
CASH, beginning of year	**1,394,789**	491,099
CASH, end of year	**$137,757**	$1,394,789
CASH REPRESENTED BY		
Cash	**$113,380**	$130,412
Trust deposits	**24,377**	1,264,377
	$137,757	$1,394,789

SCHEDULE OF OPERATING EXPENSES

Year ended March 31	2004	2003
Amortization of capital assets	$25,790	$17,361
Collection costs	89,220	80,625
Communications	49,431	45,918
Credit reports	2,613	1,972
Directors' fees and expenses	63,285	60,158
Government vehicles	41,155	35,860
Insurance	1,781	1,834
Legal costs	15,399	15,531
Office supplies and expenses	20,267	20,059
Pension expense	159,221	151,236
Professional fees	21,703	22,533
Rent and utilities	81,623	79,468
Salaries and benefits	885,757	855,697
Sundry	25,937	28,738
TEAM expenses	120,040	104,776
Travel	48,045	48,136
	$1,651,267	$1,569,902

1. NATURE OF THE ORGANIZATION

The Communities Economic Development Fund (the Fund) was established in 1971 (Ch. C155) as a Crown corporation to encourage the optimum economic development of remote and isolated communities within the Province of Manitoba. With an act revision passed in July, 1991 the object of the Fund was set to encourage economic development in Northern Manitoba, to act as a lending authority in the fishing industry in the Province of Manitoba and to provide financial assistance to aboriginal people in the Province outside the City of Winnipeg. The Business and Fisheries Loan Programs are administered under the C.E.D.F. Act.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ALLOWANCE FOR DOUBTFUL ACCOUNTS

Business Loan Program

The allowance for doubtful accounts on loans and interest receivable is calculated on a specific item basis in addition to a 5% non-specific provision on the remaining loans not specifically provided for.

Fisheries Loan Program

The allowance for doubtful accounts on fisheries loans and interest receivable is calculated based on the present value of future cash flows for those loans which, if they maintain their past payment history, will fail to retire their debt completely within the agreed term. The net present value (NPV) formula used for calculating the allowance for doubtful accounts is recognized by the Canadian Institute of Chartered Accountants; however, it does not account for closure of a fishery or regulated reduction of production. In the event of closure of a fishery or regulated reduction of production, the NPV formula may not adequately provide for doubtful accounts.

PENSION EXPENSE AND OBLIGATIONS

The employees of the Fund are not members of the Civil Service of the Province but they contribute to, and are pensionable under, the Civil Service Superannuation Fund. In accordance with the provisions of the Manitoba Civil Service Superannuation Act, the Fund will contribute 50% of the pension payments made to retired employees. Payments to the pensioners are charged against the liability account. The current pension expense is determined on the basis of an actuarial valuation. The most recent actuarial valuation as at December 31, 2001 indicated the accrued liability is in line with the obligation forecast in the report. In fiscal years prior to 1989, the Fund charged to operations contributions to the Manitoba Civil Service Superannuation Fund which amounted to 50% of the pension payments made to retired employees. Beginning in the 1989 fiscal year the Fund has recorded a provision to fund current service obligations. The total liability as at March 31, 2004 amounts to $1,515,207 (2003 - $1,391,914).

CAPITAL ASSETS

Capital assets are recorded at cost. Amortization of capital assets has been calculated on a straight line basis using the following rates:

Building	10%
Office furniture and equipment	10% - 20%
Computer equipment	10% - 25%

USE OF ESTIMATES

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities at the date of financial statements and the reported amounts of certain revenue and expenses during the year. Actual results could differ from those estimates.

FAIR VALUE

Due to the short term nature of all financial instruments other than long term debt and long term investments, the carrying values as presented in the financial statements are reasonable estimates of fair value. Management has estimated fair value by reference to established financial markets. As is true for all estimates, actual fair value could differ from this estimate, and if so any difference would be accounted for in the period in which it becomes known. For long term investments and long term debt it is not practicable within constraints of timeliness or cost to determine the fair value with sufficient reliability because the instruments are not traded in an organized financial market.

3. DUE FROM PROVINCE OF MANITOBA

Annually, the Province of Manitoba provides a grant to cover the Fund's anticipated subsidy requirements for the year. The amount of $1,486,239 (2003 - $1,994,500) represents additional funds needed to cover the actual requirements for the year including coverage for the pension liability. The balance is comprised of the following:

	2004	2003
Department of Northern Affairs		
Subsidy (refundable)	**$(147,403)**	$504,348
Orders in Council pending	**53,036**	32,838
Pension (unfunded)	**1,502,993**	1,381,173
Pension (funded)	**12,214**	10,741
Severance accrual (unfunded)	**65,399**	65,400
	$1,486,239	$1,994,500

4. LOANS RECEIVABLE

	2004	2003
Business Loan Program		
Principal	**$13,741,325**	$12,645,055
Accrued interest	**856,748**	623,053
	14,598,073	13,268,108
Allowance for doubtful accounts (Note 5)	**(2,251,440)**	(2,219,584)
	12,346,633	11,048,524
Fisheries Loan Program		
Principal	**$11,450,794**	$11,095,524
Accrued interest	**628,460**	587,310
	12,079,254	11,682,834
Allowance for doubtful accounts (Note 5)	**(2,762,805)**	(2,779,786)
	9,316,449	8,903,048

TEAM Loan Program		
Principal	**46,751**	52,996
Accrued interest	**5,107**	3,352
	51,858	56,348
Allowance for doubtful accounts (Note 5)	**(51,996)**	-
	(138)	56,348
	$21,662,944	$20,007,920

5. ALLOWANCE FOR DOUBTFUL ACCOUNTS

The change in the allowance is accounted for as follows:

Business Loan Program	**2004**			2003
	Specific	**Non-Specific**	**Total**	Total
Balance, beginning of year	**$1,709,327**	**$510,257**	**$2,219,584**	$2,147,048
Provision for the year	**617,302**	**2,413**	**619,715**	417,578
	2,326,629	**512,670**	**2,839,299**	2,564,626
Accounts written off	**(587,859)**	**-**	**(587,859)**	(345,042)
Balance, end of year	**$1,738,770**	**$512,670**	**$2,251,440**	$2,219,584

Fisheries Loan Program	**2004**	2003
Balance, beginning of year	**$2,779,786**	$2,787,136
Provision for the year	**3,222**	
	2,783,008	2,787,136
Accounts written off	**(20,203)**	(7,350)
Balance, end of year	**$2,762,805**	$2,779,786

TEAM Loans Program		
Balance, beginning of year	**$0**	$0
Provision for the year	**51,996**	0
Balance, end of year	**$51,996**	0

6. LOAN COMMITMENTS AND CONTINGENT LIABILITIES

	2004	2003
Loan guarantees	**$50,000**	$50,000
Undisbursed balance of approved loans	**711,169**	1,430,940
	$761,169	$1,480,940

7. CAPITAL ASSETS

	Cost	Accumulated Amortization	Net Book Value **2004**	Net Book Value 2003
Office furniture and equipment	**$172,300**	**$139,055**	**$33,245**	$43,346

8. ADVANCES BY THE PROVINCE OF MANITOBA

	2004	2003
Business Loan Program (Note 9)	**$10,966,699**	$11,123,379
Fisheries Loan Program (Note 10)	**10,271,042**	10,045,926
	$21,237,741	$21,169,305

9. BUSINESS LOAN PROGRAM

The Communities Economic Development Fund is included under The Provision of Manitoba's Loan Act Authority. Advances from the Province of Manitoba bear interest at rates established by the Minister of Finance pursuant to "The Loan Act, 2002". The advances are repayable at any time in whole or in part at the option of the Lieutenant Governor in Council. Prior to the 1992/93 fiscal year, advances by the Province were interest free.

Advances from the Business Loan Program at March 31, 2004 are accounted for as follows:

Advances, beginning of year	**$13,347,068**
2003/04 loan advances	**4,679,571**
2003/04 loan advance repayments	**(4,216,537)**
Loan write offs	**(586,226)**
	13,223,876
Unfunded allowance, beginning of year	**2,223,689**
2003/04 provision for doubtful accounts	**619,714**
Write offs (Order in Council pending)	**(586,226)**
	2,257,177
Net Balance, end of year (Note 8)	**$10,966,699**

The Fund has specific loan exposure in the forestry sector in Northern Manitoba. Loans totalling $4,512,310 were outstanding to timber harvesting and related operations as at March 31, 2004.

The Fund's exposure in the forestry sector may be impacted by the outcome of the current Canadian softwood lumber dispute with the United States. In addition, currency fluctuations have added further uncertainty. The specific impact of market disruption due to currency issues and the countervailing tariff or other trade action, though likely negative, is unknown at this time. As such, no provision for additional loan losses for forestry sector loans have been provided for in these financial statements.

10. FISHERIES LOAN PROGRAM

The Communities Economic Development Fund is appointed as the Lending Agency for the Fisheries Loan Program (under Part III of the Fisheries Act). The portfolio had previously been administered by Manitoba Agricultural Credit Corporation (M.A.C.C.) and funded by the Department of Natural Resources. Effective April 1, 1992 this portfolio was transferred to the Fund in its entirety.

Advances to the Fisheries Loan Program at March 31, 2004 are accounted for as follows:

Advances, beginning of year	**$12,854,437**
2003/04 loan advances	**4,937,277**
2003/04 loan advance repayments	**(4,712,160)**
Transfer loan balances from business loans	
Loan write offs	---
	13,079,554
Unfunded allowance, beginning of year	**2,808,512**
2003/04 Loan write offs	---
	2,808,512
Net Balance, end of year (Note 8)	**$10,271,042**

Interest costs are charged on total advances of $12,854,437 which is the total portfolio including the allowance for loss portion of $2,762,805.

Life insurance on clients - The Fisheries Loan Program carries Life and Accidental Dismemberment on clients' loans. The cost of this insurance is recovered in the margin charged on interest rates.

The Fund utilizes a net present value formula to value its Fish Loan Portfolio and estimate the provision for loan losses. The formula takes into account the payments received in the previous 12 month period as a basis for calculating future collections. Recent fishing seasons have been dramatically improved over previous seasons. As a result, fewer fish loans indicate arrears potential and the formula utilized to value the fish loan portfolio generates a lower estimate for loan loss provision.

The provision for fish loan losses in the Fund's books of account exceeds the value derived by the net present value formula as at March 31, 2004 by $577,501 (March 31, 2003 - $406,829).

	2004	2003
Loan Loss Provision		
• per accounts	**$2,762,805**	$2,779,786
• per net present value calculation	**2,185,304**	2,372,957
Difference	**$577,501**	$406,829

The commercial fishing industry is cyclical in nature and as a result, no adjustment has been made to the loan loss provision as at March 31, 2004

11. LOAN ACT AUTHORITY

Amounts authorized for advances under "The Loan Act, 2003" are as follows:

Per Schedule A of "The Loan Act, 2003"	$ 10,900,000
Per Schedule B of "The Loan Act, 2003"	4,233,822
Direct Loans	15,133,822
Advances made during the 2003/04 fiscal year	9,616,848
Unused Loan Act capital available	$5,516,974

Guarantees of $970,000 were also authorized under "The Loan Act, 2003". Loan guarantees totalling $50,000 have been issued by the Communities Economic Development Fund as at March 31, 2004.

12. COMMITMENTS

The Fund has committed to leases as follows:

Office premises - Thompson	$7,235 per month, expires July 2005
Digital mail equipment	$3,093 annually, expires April 2008
Postage scale and software	$737 semi-annually, expires February 2009

13. ADVANCES

The advances bear interest at the Royal Bank of Canada prime interest rate, plus 1%, payable monthly and are secured by a general security agreement.

14. ECONOMIC DEPENDENCE

The ongoing operation of the Communities Economic Development Fund depends on obtaining adequate financing and funding. The Communities Economic Development Fund is dependent upon the Province of Manitoba for funding of operations.

15. COMPARATIVE FIGURES

Certain 2003 comparative figures have been reclassified in order to conform with the financial statement presentation adopted for 2004.

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